The Basics of Buying a House

-The monthly cost of your mortgage, insurance and property taxes of a home should total no more than 40% of your full salary (before taxes).

-If you are earning $60,000 a year, or $5000 a month, your monthly payment for your home should not exceed $2000 ($5000 x .40)

What can you afford based on the salary you provided

Yearly?\_\_\_\_\_\_\_\_\_

Monthly (yearly divided by 12) \_\_\_\_\_\_\_\_\_\_\_\_\_\_?

Monthly times .4 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_?

-If you always pay your bills on time you will be considered to have good credit. If you have good credit you pay a lower interest rate on your mortgage.

-99% of people buying a house take out a mortgage(loan). In most cases the mortgage will total approx. 80% of the house cost (on a $500,000 house that means a $400,000 loan/mortgage). All homeowners also have to pay insurance in case of an accident or theft on their property as well as property taxes.

-A Mortgage is a loan from the bank. Generally its paid back over a period of 30 years. The bank gets the money they gave you back, plus additional money which is termed the interest rate. The interest rate that you pay depends upon how good you’ve been at paying your bills in the past. If you always pay your bills on time (good credit) you will pay far less additional money back to the bank then if you sometimes fail to pay it on time(weak credit). If you are really bad at paying your bills you won’t get any money from the bank (bad credit).

A person with good credit will currently pay interest at the rate of approximately 4% on a loan

$100,000 mortgage/loan at 4% will mean paying the bank approximately $475 a month, 12 months a year for 30 years

A person with weak credit will pay an interest rate of approximately 7% on $100,000 mortgage/loan or $665 a month 12 months a year for 30 years.

If the mortgage is $400,000 then simply multiply the above monthly payment amount by 4, so $475 times 4= $1900 and $665 times 4 = $2,660 a month

Over a period of 30 years the good credit person will save ---approximately $270,000 over the weak credit person.

INSURANCE- doesn’t depend primarily on your credit, but the amount of insurance you need. You can’t get a mortgage without also getting insurance. Insurance will cost you approximately $100 a month

PROPERTY TAX- depends on the value of your property and where its located

A $500,000 house in Darien probably pays about $4800 tax a year or $400 a month

A $350,000 house in Stamford or Norwalk probably pays about $5400 a year or $450 a month

A $200,000 house in Bridgeport probably pays at least $6,000 a year or $500 a month

So if you buy a $350,000 house in Stamford and get a 300,000 mortgage and have good credit what’s the

\_\_\_\_\_\_\_\_\_\_\_\_ Monthly Mortgage?

\_\_\_\_\_\_\_\_\_\_\_\_ Insurance?

\_\_\_\_\_\_\_\_\_\_\_\_ Property Tax?

Total \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Add up Mortgage, Insurance and Property Tax

Same as above but with weak Credit?

\_\_\_\_\_\_\_\_\_\_\_\_ Monthly Mortgage?

\_\_\_\_\_\_\_\_\_\_\_\_ Insurance?

\_\_\_\_\_\_\_\_\_\_\_\_ Property Tax?

Total \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Add up Mortgage, Insurance and Property Tax

Can you afford it? Remember your total monthly payment for your property should not exceed 40% of your yearly salary.

<http://www.bankrate.com/calculators/mortgages/mortgage-calculator.aspx?loan=100000&prod=1&Zip=06501&rate=4000&hideHistory=false>